



Center for Medicaid and State Operations
Disabled and Elderly Health Programs Group
Division of Integrated Health Systems

April 30, 2004

Mr. Mark Trail, Chief
Medical Assistance Plans
Division of Medical Assistance
Georgia Department of Community Health
Two Peachtree Street, NW, 40th Floor
Atlanta, GA 30303-3159

Dear Mr. Trail:

The Centers for Medicare & Medicaid Services (CMS) has reviewed Georgia's proposal to implement a Section 1115 demonstration project to impose cost sharing requirements for services to children, age 18 and under, who are Medicaid eligible under Section 134 of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). As we understand it, this proposal will:

- Test a premium-based approach to the provision of services to children in the TEFRA eligibility category whose custodial parental income exceeds normal Medicaid thresholds. Families whose incomes exceed \$25,000 will be required to pay a monthly premium (ranging from 1% to 2.75% of total income).
- Convert the current State Plan TEFRA eligibility category into an alternative eligibility category.
- Use the same standards and methodologies for determining TEFRA eligibility under the demonstration as was used under the State Plan.
- Not reduce or eliminate coverage of children eligible under the TEFRA option. Children will receive the same State Plan benefit package under the demonstration that was available to them under the optional TEFRA eligibility category.

On April 27, 2004, the State indicated to CMS that it might withdraw this proposal. While the State is contemplating this decision, CMS has developed the attached list of questions critical to our determination on this proposal. If the State decides to proceed with this proposal or resubmit at a later date, CMS requests that the State provide responses to these questions.

If you have any questions, or need assistance with providing responses to any of our information requests, please contact your CMS project officer, Tonya Moore, at 410-786-0019 or tmoore1@cms.hhs.gov.

Sincerely,

/s/

Theresa A. Pratt
Director

Enclosure

cc: Jessie Spillers, CMS Atlanta Regional Office

Section 1115 Policy

1. As stated in the September 27, 1994 Federal Register Notice, CMS recognizes that people who may be affected by a demonstration have a legitimate interest in providing input into the decision-making process for §1115 proposals. (See 59 FR 49249)

CMS has received a significant response from parents and advocates opposing this proposed §1115 demonstration. The most common objection is that impacted families did not have input into this proposal. What is Georgia doing to address stakeholder issues with this proposal?

Method of Program Implementation

2. Georgia states that the objective of this §1115 demonstration proposal is to impose cost sharing requirements on the TEFRA eligibility category. There are two options available to the State in order to implement cost sharing requirements. Please indicate which of the following two options the State will pursue:
 - a. Request a waiver of §1902(a)(14) under the authority of §1115(a)(1) and retain the TEFRA eligibility category in the State Plan.
 - b. Submit a state plan amendment to remove the TEFRA eligibility category and treat the current TEFRA eligibility group as a Medicaid expansion population under the authority of §1115(a)(2). If Georgia pursues this option, please indicate when the State expects to submit the state plan amendment.

Cost Sharing

3. Did the State consider the feasibility of other cost-sharing mechanisms more directly related to the amount of service used, such as co-pays, co-insurance or deductibles? What were the results of these discussions?
4. Many parents have expressed to CMS that they would most likely remove their child from the TEFRA program if premiums were implemented because the cost of the premium will far exceed the amount of received benefit. Has the State considered that TEFRA enrollment may notably decrease once premiums are implemented? What are the State's estimates for the number of children that may drop out of the TEFRA program?

Financial Impact

5. The most common objections to this proposal is that the premium will be a financial burden to families because the premium amount greatly exceeds the amount of received benefit and families already have high out-of-pocket expenses for private insurance and

other specialized necessities not covered by insurance. In the development of premium policies and rates, did the State consider:

- a. Whether TEFRA premiums in addition to private insurance premiums/deductibles would unduly burden a family?
 - b. Waiving or adjusting premiums in proportion to the amount a family pays for private insurance premiums/deductibles and other specialized needs for their children not covered by insurance?
 - c. Waiving premiums in cases of undue hardship?
6. Please provide any documentation the State has on the percentage of impacted TEFRA families with private health insurance.
 7. The State indicates that families will be required to pay either two or four month's worth of premium in advance upon approval of enrollment. Has the State considered waiving this advance payment requirement if a family cannot financially manage this initial payment?
 8. The proposal states that families who don't choose the monthly bank draft option will have to make quarterly premium payments (i.e. 3 months of premium). Has the State considered waiving the quarterly payment requirement for families that do not have a checking account?
 9. The proposal indicates that a case will be closed after three months of non-payment. Has the State considered waiving arrearages for family's experiencing financial difficulty?
 10. Has the state considered an exception to its six-month waiting period for dropping private insurance in cases where the cost of the insurance raises significantly? (Some states have allowed exceptions to waiting periods when the cost of private insurance coverage exceeds ten percent of family income.)

Eligibility

11. Please indicate how many TEFRA children this demonstration is expected to impact.
12. Please explain whether a child will continue to receive demonstration services throughout the State's formal appeal process for denial of medical care or termination from the program.

Application Details

13. The proposal indicates that all State Plan services will be available under the demonstration. Please confirm that this includes EPSDT.

14. The proposal indicates that an advance notice is issued to the family when the case is about to be closed. Please identify the State's timeframe for "appropriate advance notice of case closure" and the process the State will use, prior to this advance notice, to notify the family and attempt to reach a resolution.
15. Please include how Georgia intends to meet the quality assurance requirements of §1902(a)(22)(D) and the criteria that will be used to determine whether the State sufficiently met those requirements.
16. Please provide a description of the evaluation design the State will implement to determine the impact of collecting premiums from the TEFRA eligibility group.

Budget Neutrality

17. For its budget neutrality submission, the State only provided three years of data that integrated two years of historical experience with one year of data projections. The data also lacked a breakout of member months. To provide CMS with a complete budget neutrality analysis for review, the State must submit the following data:
 - a. Five years of historical expenditure data and eligible member months for TEFRA children. Please break member months out by eligibles with and without private insurance. (Please note: The last year of historical data (i.e. the base year) should be the latest complete 12-month expenditure period.)
 - b. Five years of "without waiver" cost and member month projections beginning from the date (month/year) the State expects to implement this demonstration, if approved. These projections should be accompanied with an explanation of how the State derived its projections.
 - c. Five years of "with waiver" cost and member month projections (beginning from the same period as the "without waiver" projections). These projections should be accompanied with an explanation of how the State derived its projections.

Please note: "Member months" refer to the number of months in which persons are eligible to receive Medicaid services. For example, If individual A is eligible for 5 months and individual B is eligible for 10 months, together they contribute 15 eligible member months to the total member month count.

18. Does the State have information on income levels of families in Georgia TEFRA? Given the different demographics between Arkansas and Georgia, can you provide documentation that supports the State's determination that Arkansas' TEFRA population is comparable to Georgia's for the projection of premium payments?